

VZCZCXRO1543
RR RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHAK #1710/01 2691336
ZNY CCCCC ZZH
R 251336Z SEP 08
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 7558
INFO RUCNCIS/CIS COLLECTIVE
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHGB/AMEMBASSY BAGHDAD 1335
RUEHIT/AMCONSUL ISTANBUL 4794
RUEUITH/ODC ANKARA TU
RUEAIIA/CIA WASHDC
RHEHAAA/NSC WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001710

SIPDIS

EEB FOR A/S SULLIVAN
SPECIAL ENVOY FOR EURASIAN ENERGY GRAY
EEB FOR ENERGY COORDINATOR MANN
EUR FOR DAS BRYZA

E.O. 12958: DECL: 09/25/2018
TAGS: [ENRG](#) [EPET](#) [IZ](#) [TU](#)
SUBJECT: NEAR-TERM IRAQI GAS TO TURKEY?

Classified By: Ambassador Ross Wilson for reasons 1.4 (B) and (D)

¶1. (C) Summary. Ambassador discussed the near-term possibility of importing Iraqi gas to Turkey and Europe with the Chairman of Turkerler Group, Kazim Turker, on September 23. Turker said his Iraqi partner, Dana Gas, is committed to use early gas to supply Iraqi domestic needs but gas for export could be available in 2011. He estimated Dana Gas' production could reach 10 bcm annually. Turker said Prime Minister Erdogan supports his initiative. Some of the pipeline infrastructure from the Iraqi gas fields toward the Turkish border has already been built. The next steps are gaining appropriate GOT import licenses and completing the infrastructure. Ambassador welcomed Turker's project as a way to bring diverse gas supplies to Turkey and Europe but cautioned that Iraqi oil politics could complicate matters. He suggested Turker and his partners reach out to the central authorities in Baghdad and keep us informed. End Summary.

The deal

¶2. (C) Kazim Turker, CEO of Turkerler Group told the Ambassador that his company and Dana Gas, an affiliate of Iraqi-owned Crescent Petroleum, have formed a 50/50 joint venture called Inci Gas to import Iraqi gas into Turkey and markets beyond. Dana Gas signed a technical service agreement with the Kurdistan Regional Government (KRG) in April 2007 to produce gas from the Chemchamel and Kormor fields (estimated reserves: 400 bcm). Turker said the project will be developed in two stages. Early gas, approximately 3.5 bcm will be supplied to the KRG to generate electricity. Gas developed at a later stage, possibly by 2011, will be exported to Turkey. Peak annual gas production will reach 10 bcm. A pipeline to connect Dana Gas' fields to the Iraq-Turkey border is almost 50% complete. On the Turkish side, there are two options. Inci Gas could either build a gas pipeline parallel to the existing Kirkuk-Yumurtalik oil pipeline or build an 80 km extension from Silopi to Sanliurfa to connect to the Turkish national gas grid. Further pipeline construction awaits a response from the GOT on two licenses applications filed by Inci Gas to import Iraqi gas and to move it through Turkey.

PM Erdogan Supportive

¶3. (C) Turker said he and Dana Gas CEO Hamid Jafer have

briefed Prime Minister Erdogan, DPM Ekren, Treasury Minister Simsek, Finance Minister Unakitan and Energy Minister Guler on the Inci Gas concept. Turker said Erdogan strongly supports this project as a way to meet Turkey's growing gas demand as well as its strategic interest in bringing gas to Europe. Turker claimed a Russian company approached him about joining the project. While he was open to talking, Turker said the PM's support may hinge on his project's ability to diversify Turkey's gas supplies (currently 65% of Turkey's gas comes from Russia) and he didn't want to jeopardize Erdogan's support by doing a deal with the Russians.

Baghdad complications

¶4. (C) Ambassador said the USG is very focused, especially in the wake of events in Georgia, on working with Turkey and other countries in the region to diversify gas sources. The gas volumes that could be exported (perhaps up to 6.5 bcm) could make a significant contribution to Nabucco or other projects. Ambassador cautioned that the lack of clarity regarding the authority of the KRG and central Baghdad to regulate oil and gas deals is likely to complicate Turker's efforts. He said some U.S. companies have had trouble in this regard, and we continue to press Baghdad for passage of a hydrocarbon law. He suggested that someone from Dana gas reach out to the central authorities in Baghdad to brief them. It would be helpful if the Iraqi and the Turkish governments discussed this project directly. The sooner these conversations happen, the sooner the project can make

ANKARA 00001710 002 OF 002

real progress. Turker said he was aware of the sensitivities and Erdogan expressed a similar concern. Hamid Jafar is an Iraqi Shiite who has excellent relations with KRG PM Barzani and Dana plans to talk to President Talabani soon.

¶5. (C) Comment: Turker may not fully appreciate the political sensitivities involved in this deal. His attitude seemed to place the burden on Dana Gas to resolve issues with Iraqi authorities while he simply waits for the gas at the Turkey-Iraq border. When asked about whether Dana Gas had discussed gas export with the GOI, Turker admitted he didn't know and confessed he does not fully understand Dana Gas' strategy.

¶6. (C) Turker's deal may also face legal and institutional challenges. According to Turkish law, only BOTAS (state-owned pipeline company) has the right to build pipelines in Turkey and import gas. And, if the deal looks profitable, BOTAS may apply to the GOT to do the deal itself.

Visit Ankara's Classified Web Site at
<http://www.intelink.sgov.gov/wiki/Portal:Turkey>

WILSON